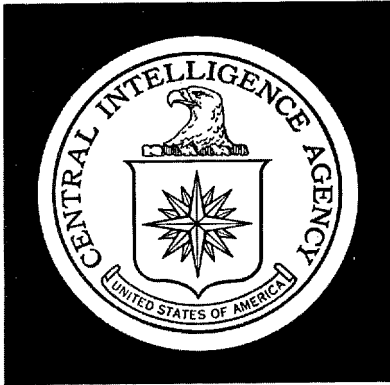


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[Vietnam:

South Vietnam: Major unit military action on 8-9 October was concentrated in South Vietnam's northern provinces.

US Marines sweeping the central Demilitarized Zone encountered a Communist platoon in a well dug-in position some eight miles north of the "Rockpile" on 8 October. Seventeen of the enemy troops were killed in a four-hour battle which also cost two Americans killed and 48 wounded.

A small-scale skirmish erupted near the Thuong Duc Special Forces camp late on 8 October when a US Marine company was attacked by automatic weapons and mortar fire. Initial reports show light casualties on both sides.

North Vietnam: The Communists are building a POL pipeline system in southern North Vietnam.

Photography of 8 September has located an additional two miles of pipeline in Ha Tinh Province making a total of 32 miles of line located in both Nghe An and Ha Tinh provinces since late July. Much of the pipeline construction appears to have been done since April.

The construction of about 100 small earth-covered POL tanks and preparatory work for 100-150 others have also been located near the line's visible northern terminus some 15 miles northwest of Vinh. When completed, this dispersed tank site will be one of the largest in North Vietnam with a storage capacity of at least 2,500 tons. The site, however, is not served by a rail or water route, and the pipeline's northern terminus may be located farther north near some rail or water transport center.]

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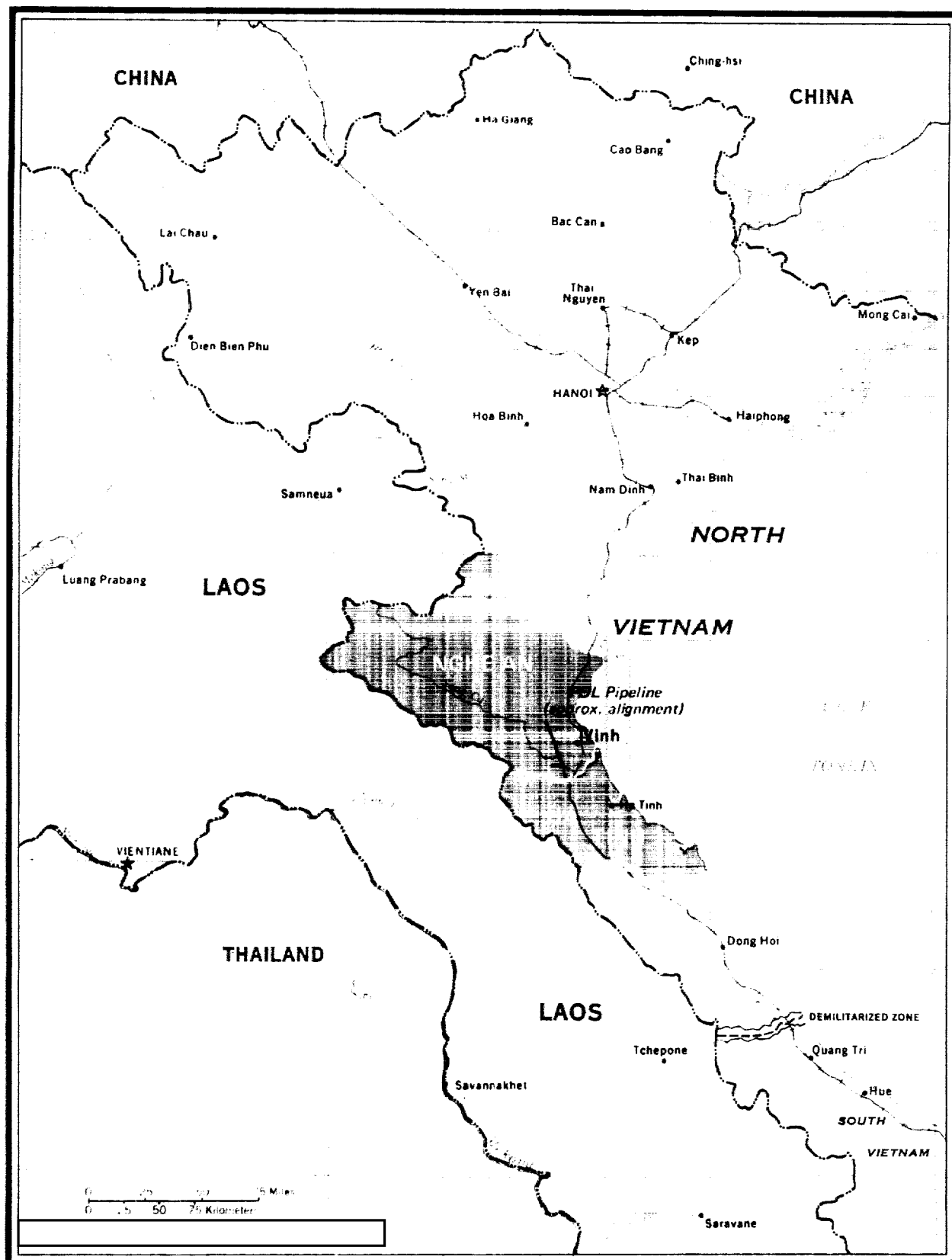
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[The pipeline has been under heavy air attack since first located and probably has never been operational. Nevertheless, the importance attached by the Communists to the line is suggested by the speedy repair or bypassing of damaged sections. The pipeline appears to be four inches in diameter, similar to Soviet portable pipeline, and it could possibly transport up to 1,100 tons of petroleum per day, which slightly exceeds the total daily POL requirement for all of North Vietnam.

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USSR-Finland: Kosygin's visit to Finland was probably to warn Helsinki not to let its opposition to the occupation of Czechoslovakia affect its basic relationship with Moscow.

The communiqué issued at the end of the three-day meeting yesterday cited the Soviet-Finnish treaty of 1948 which, it said, remained a "firm basis" for mutual relations that would not be affected by "short-term considerations." Thus, Helsinki has renewed its pledge to maintain close ties with Moscow despite the invasion of Czechoslovakia. There is no hint as yet that Finland was asked to accept any specific new commitments.

Moscow probably felt a reaffirmation of "friendship and cooperation" was necessary to offset the anti-Soviet popular sentiment which had surfaced in Finland. Another matter of concern may have been growing signs of a decline in the influence of the Finnish Communists made evident by the outcome of local elections earlier this week.

Unusual secrecy marked the beginning of the visit; even the Finnish Communists were taken by surprise. An official of the Finnish Embassy in Moscow claims the visit had originally been scheduled for August and there is some evidence to suggest Kosygin planned a "vacation" trip about that time. Moscow probably felt, however, that the trip would serve as a high-level reminder to Finland of the political facts of life and that Kosygin, who had dealt with Kekkonen in the USSR last summer, was the man for the assignment.

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*Peru: The new military government has expropriated the holdings of the US-owned International Petroleum Company (IPC).

A decree law made public yesterday in a televised ceremony expropriated the La Brea and Parinas oilfields, the refinery complex at Talara, and other IPC assets in the country. Army troops were immediately ordered in to take possession of the installations. The decree states that IPC's "debts" to Peru will be applied against the company's assets.

The dispute over the settlement Belaunde made with IPC in August has been used by the military to justify its take-over of the government. That settlement involved the government's acquiring only the La Brea and Parinas oilfields and in return dropping its claim to some \$144 million that IPC allegedly owed the state for "back taxes" and "unjust enrichment." The military, as well as some civilian politicians, charged that this was a "sell-out" by the Belaunde administration.

This demonstration of the strong nationalist sentiment of the new government is likely at least to delay any future foreign investment.

*Because of the shortage of time for preparation of this item, the analytic interpretation presented here has been produced by the Central Intelligence Agency without the participation of the Defense Intelligence Agency, Department of Defense.

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India: Students in Madras once again may become involved in widespread agitation.

25X1 [redacted] disturbances on the level of those earlier this year may be renewed in the near future. The Tamil-speaking state of Madras was ravaged by student-led anti-Hindi riots in 1965, and similar disturbances erupted in late 1967 and early 1968. Since then unrest--much of it politically motivated--has continued to permeate the student population.

The key to growing agitation is the revival of the Congress Party--the major opposition in Madras--in recently held elections within college student organizations. Many of the new student leaders are members of the radical activist wing of the state Congress unit controlled by former national party president K. Kamaraj. Communist student groups are making some headway, and secessionist sentiments may also be reviving.

Renewed agitation could focus again on the highly emotional issue of alleged central government plans to impose the official use of the Hindi language on Madras. New Delhi's recent announcement that it intends to set up 360 Hindi schools in the state is seen by many Tamil-speaking students as a direct insult, and is rekindling latent fears of domination by the Hindi speakers of the north. Paradoxically, a state government - initiated switch from English to Tamil as the language in many state-run schools is also drawing a negative reaction from large numbers of students. Envisaged as a sop to anti-Hindi sentiment, this move is now viewed by southern students as a threat to their future employment inasmuch as English is the most important language for government and business conducted on a countrywide scale.

With Chief Minister C. N. Annadurai absent and at least temporarily incapacitated, the state government could have problems in dealing decisively with renewed disturbances. [redacted]

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Brazil: Students continue to harass the government and irritate security forces.

Student rioting erupted in Sao Paulo on 8 October and police were needed to break up a large demonstration. Small groups of students continued hit and run protests by burning cars and breaking windows in widely scattered areas. Demonstrators in Rio de Janeiro yesterday broke windows in the US Embassy but were quickly dispersed by police. The students are protesting the "dictatorship," police brutality, and the killing of a fellow student in addition to making their usual demands for educational reform.

New demonstrations could occur if police attempt to prevent the holding of the illegal National Students' Union congress scheduled in Sao Paulo in the near future.



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Bahamas-UK: The Bahamas has gained additional autonomy and taken an important step toward eventual independence.

At the recent London constitutional conference, the most significant gain for the Bahamas was responsibility for internal security and control of the police. Although the British-appointed governor will retain "ultimate authority" over internal security, the Bahamians believe this power will be used only in the event of a major crisis.

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The Bahamas will also gain the authority to negotiate foreign trade, labor, and cultural agreements. Although the British retain responsibility for defense and other external affairs, they will consult with the Bahamas on these matters. Other constitutional changes ensure that appointees of the Bahamas' Government dominate the Senate and severely limit the remaining powers of the governor over internal matters.

One sensitive area not discussed at the conference was the Bahamians' desire for control of their foreign exchange reserves, which are profitably employed by the British. In addition, Britain insisted that it retain the power to regulate the lucrative air traffic to the Bahamas.

Government leader Pindling, who now assumes the title of prime minister, was enthusiastically greeted on his return from London. He appears to have further strengthened his political position as a result of the successful negotiations, and presumably he hopes that his government will gain sufficient experience and competence to move for full independence within the next few years.

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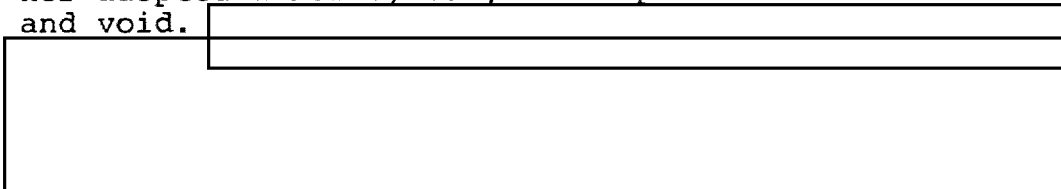
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EURATOM: A potentially serious dispute between France and the community may arise over the possible sale of Canadian plutonium to France.

EURATOM's problems with this long-pending deal have from the beginning stemmed from the possibility that EURATOM's safeguards arrangements might be bypassed and that EURATOM's role as supplier of fissionable materials to the Six would be challenged.

The safeguards question is particularly relevant because EURATOM must uphold its rights to exercise community safeguards in eventual negotiations with the International Atomic Energy Agency under Article III of the nonproliferation treaty. The Commission is apparently satisfied with Canada's understanding of the "verification" principle, i.e., that Canada can fulfill its own safeguards requirements by verifying those of EURATOM, but it may still be difficult to work out a specific agreement.

A more serious problem lies in supply arrangements. The French in effect no longer recognize the EURATOM Supply Agency, maintaining that because the Council has neither extended the EURATOM treaty provisions on supplies--originally valid for seven years--nor adopted a new system, those provisions are null and void.



The Commission has requested from the French a clarification of press reports that a contract has already been signed.



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Finland: The Communist-front SKDL suffered a major setback earlier this week in countrywide municipal and county elections. The front drew only slightly more than three quarters the votes it received in the last elections. The biggest gains were made by the Conservatives and a splinter farmers' party led by a bitter critic of President Kekkonen and his policies. A major factor in the shift to the right was the strong public reaction to the occupation of Czechoslovakia. The Communists bore the onus despite their criticism of Moscow's actions.

* * * *

Brazil - East Germany: The East German commercial mission in Rio de Janeiro to renew a long-standing trade and payments agreement has run into considerable Brazilian foot dragging. The agreement is expected to be concluded soon, but not on the government-to-government basis sought by the East Germans. The Brazilians reportedly have agreed to an increase in trade, but any major expansion seems unlikely. Brazilian - East German trade ran at approximately \$28.3 million in 1966 and \$33.8 million in 1967.

* * * *

Dominican Republic: The proposed distribution of shotguns by the Dominican Government to peasants in the border area has drawn a protest from the Haitian ambassador. There appears to be no provision for government control over use of the guns, which will apparently be given to the peasants to defend their property against occasional incursions by Haitians. Although the Dominicans have given assurances that the distribution does not imply "future aggression," the Haitian ambassador has warned that the initiative could lead to "frontier incidents." [Meanwhile, Dominican opposition parties are charging that the government is forming an "armed militia" to use as a repressive force in future elections.]

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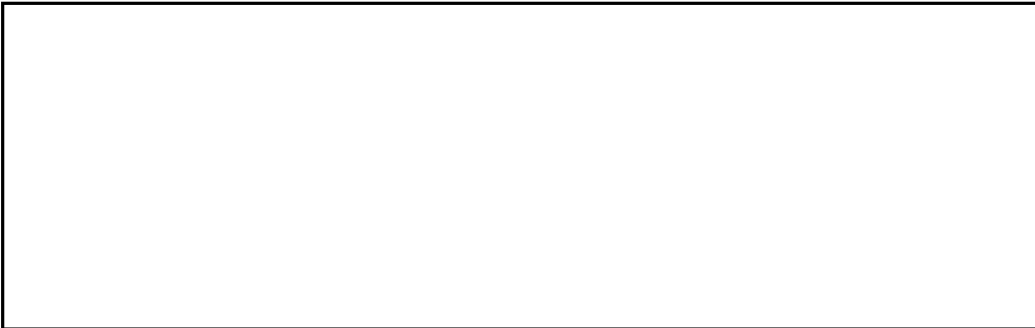
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[Congo (Brazzaville) - Congo (Kinshasa): The army-led government in Brazzaville severed diplomatic relations yesterday with neighboring Kinshasa over the Mulele affair. This sharp response to the betrayal and execution of the leftist rebel leader, who had been handed over to Kinshasa by Brazzaville officials on the basis of an iron-clad amnesty, came after two days of urgent meetings among Brazzaville's top leaders. The action reflects the Brazzaville government's acute embarrassment over the episode and the strong desire to dissociate itself publicly from Kinshasa's double-dealing. 

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